

Michaud and Pingree Urge Increased Scrutiny of China Currency Manipulation

Thursday, January 21 2010

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WASHINGTON, DC – Representatives Mike Michaud and Chellie Pingree have written a letter to U.S. Department of Commerce Secretary Gary Locke on behalf of NewPage Corporation and Sappi Fine Paper North America to urge increased scrutiny of China's deliberate undervaluation of its currency as part of a countervailing duty investigation on coated paper from China.

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WASHINGTON, DC – Representatives Mike Michaud and Chellie Pingree have written a letter to U.S. Department of Commerce Secretary Gary Locke on behalf of NewPage Corporation and Sappi Fine Paper North America to urge increased scrutiny of China's deliberate undervaluation of its currency as part of a countervailing duty investigation on coated paper from China.

“In this difficult economic environment we need to do everything we can to protect American jobs from unfair competition,” said Michaud and Pingree. “By deliberately undervaluing its currency, China is subsidizing paper producers there and making it difficult for American companies to compete. That's why we urged the administration to use every tool available to them to address this issue and to level the playing field with China. Not doing so will further the loss of American jobs and the closures of American companies.”

The full text of the letter sent by Michaud and Pingree can be found below.

January 20, 2010

The Honorable Gary Locke

Secretary

U.S. Department of Commerce

1401 Constitution Avenue, NW

Washington, DC 20230

Dear Secretary Locke:

We are writing on behalf of two Maine paper producers of coated printing paper: NewPage Corporation and Sappi Fine Paper North America to urge you scrutinize the Government of China's deliberate undervaluation of its currency as part of a countervailing duty investigation on coated paper from China. Chinese imports enjoy a significant pricing advantage over goods produced in the United States as a result of China's currency undervaluation and that puts Maine paper producers at a competitive disadvantage in the U.S. market. Both NewPage and Sappi have been forced to close or reduce their operations due to increasing imports of low-priced Chinese coated paper.

We understand that the U.S. paper producers have filed a new subsidy allegation requesting that the Department investigate whether China's currency practices result in a counteravailable subsidy to Chinese exporters. We urge

the Department to examine closely this allegation and, if the initiation requirements are met, launch an investigation into China's currency undervaluation as provided for by U.S. law. The allegation presented by the U.S. paper producers provides evidence that each of the criteria for funding a counteravailable subsidy has been met. This includes information showing that a financial contribution was provided, that it was specific to an industry or group of industries, and that a benefit was bestowed.

It is widely accepted that China undervalues its currency by up to 40 percent. The Government of China intervenes heavily in the currency markets and maintains massive foreign exchange reserves in order to keep the value of the yuan tied to the dollar at a relatively fixed rate. The weaker yuan gives China's exporters a huge advantage in export markets -- essentially a subsidy on their exports. China's undervaluation of its currency also makes more expensive U.S. exports to China, since imports have to be purchased with dollars that artificially have a higher value relative to the yuan.

The Commerce Department has the authority to address China's currency practices in the context of a countervailing duty investigation. Moreover, it is our view that the Commerce Department has the obligation to investigate a potential subsidy practice when each of the three necessary elements has been alleged. At a minimum, the Department should investigate the extent to which such practices give rise to a counteravailable subsidy. Given the current economic recession, it is now more critical than ever that the Department of Commerce take every step possible to address these unfair practices. We urge you to consider seriously these allegations of China's currency misalignment.

Sincerely,

Michael H. Michaud

Member of Congress

Chellie Pingree

Member of Congress

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